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**BEFORE THE
HOUSE COMMITTEE ON FOREIGN AFFAIRS
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**U.S.-CHINA RELATIONS: MAXIMIZING THE EFFECTIVENESS OF THE
STRATEGIC AND ECONOMIC DIALOGUE**

Chairman Faleomavaega, Mr. Manzullo, and Members of the Subcommittee, thank you for inviting me to appear before you today to discuss the first U.S.-China Strategic and Economic Dialogue (S&ED) held in Washington on July 27 and 28. I will provide an overview of the role of the S&ED in our bilateral relations with China, the primary goals of the first S&ED, the issues discussed and achievements of the S&ED Strategic Track, and next steps. Dave Loevinger, Treasury's Executive Secretary and Senior Coordinator for China and the S&ED will speak to the Economic Track. I am also joined by State Department Deputy Assistant Secretary Jeff Miotke, who is prepared to take questions regarding the Memorandum of Understanding on climate change signed during the S&ED.

The Role of the S&ED

The Strategic and Economic Dialogue establishes the framework for the U.S.-China relationship under the new Administration. We recognize the importance of engaging China as an important partner in meeting the complex global challenges our two countries face. It is critical that we reinforce the message to China that with its increased influence comes increased responsibility. China must meet its responsibilities as a global stakeholder and contribute to the solutions to global challenges, such as the recent economic crisis, climate change, and threats to international security--challenges that cannot be met without cooperation between our two countries. During a discussion of U.S.-China relations and global issues of common interest at a bilateral meeting in April, President Barack Obama and President Hu Jintao agreed to work toward a positive,

cooperative, and comprehensive U.S.-China relationship for the 21st century. They established the U.S.-China Strategic and Economic Dialogue as the mechanism to advance that relationship.

The S&ED brings together top political and economic leaders from both sides to outline opportunities for cooperation and engage in frank discussions of priorities for our bilateral relationship. Our two countries are already cooperating in a number of areas by promoting global economic recovery and international financial reforms, combating piracy in the Gulf of Aden, working to curb nuclear proliferation by North Korea and Iran, seeking clean energy solutions that can curb CO2 emissions, and cooperating on regional stability in South Asia. While we will not always agree on all issues, the Dialogue enables us to work together to resolve our differences, to build trust, and to strengthen cooperation, all of which serves our common interest.

I would like to emphasize at the outset that the S&ED is not the beginning of a G2 structure. Both countries recognize that we cannot solve the world's problems bilaterally. What the Strategic and Economic Dialogue does is to provide a framework for the U.S. and China to deal with these challenges as responsible global stakeholders and open up paths of communication on global issues of common concern.

Goals of the S&ED

We had three primary goals for the first S&ED, all of which were accomplished:

First, the S&ED served as a prime opportunity for our senior officials to get to know their Chinese counterparts, a necessary first meeting that allows for more effective engagement on issues over the next four years. Having our Chinese counterparts understand the Administration's positions and priorities was one of the most valuable results of the Dialogue. The presence of President Obama at the opening and in the leaders' meetings further highlighted to the Chinese the significance of the Strategic and Economic Dialogue for the new Administration. The first Dialogue also provided an opportunity not only for the four co-chairs, Secretary of State Clinton and Secretary of the Treasury Geithner, Vice Premier Wang Qishan, and State Councilor Dai, but also for over 20 officials of cabinet-rank from each side to meet face-to-face and to discuss a range of substantive

issues. By bringing these senior officials together in one location in both formal and informal settings, the S&ED enabled frank and candid discussions on a number of issues, including those sensitive to the Chinese such as human rights and Xinjiang.

Second, the Strategic and Economic Dialogue mobilized the whole of government on each side by incorporating the full range of economic, regional, global, and environmental challenges that require action by both countries in order to attain progress. By employing a whole-of-government approach, the S&ED allowed us to discuss with Chinese officials issues that cut across agencies, such as climate change and international security. With the right people at the table, discussions at the S&ED served to energize sub-dialogues by bringing issues to the attention of senior officials from multiple agencies.

The Strategic and Economic Dialogue complements and adds additional force to the many existing bilateral dialogues that we have with China. The S&ED sets the tone and framework for these sub-dialogues, which incorporate the priorities developed at the S&ED. It was designed to meet once a year to give room for these sub-dialogues to grow. Also, holding the S&ED once a year allows us to get away from an event-planning mentality and move toward building a regular process of robust engagement and consideration of broader topics of long-term, strategic concern.

Third, the S&ED set the agenda for our future engagement with China by giving our senior officials the opportunity to voice the priorities of the new Administration. Climate change, for example, was addressed at a senior level unprecedented in U.S.-China discussions and resulted in the signing of an MOU that lays a solid foundation for cooperation on climate change as we move toward Copenhagen.

Overview and Achievements of the Strategic Track

The Strategic Track of the S&ED consists of four pillars: 1) bilateral relations (people-to-people exchanges); 2) international security issues (non-proliferation, counterterrorism); 3) global issues (health, development, energy, global institutions); and 4) regional security and stability issues (Afghanistan/Pakistan, Iran, DPRK). As part of the Strategic Track, we also discussed climate change, clean energy, and the environment in separate special

sessions. The Joint Press Release on the U.S.-China Strategic and Economic Dialogue documents the wide range of issues discussed and is located on the State Department website at www.state.gov.

Some key highlights from the Strategic Track include:

- *Climate Change, Energy, and Environment MOU.* The Memorandum of Understanding (MOU) signed during the S&ED elevates the importance of climate change in our bilateral relationship, recommits the United States and China to reach a successful international agreement, and expands cooperation to accelerate the transition to a sustainable low-carbon global economy. The MOU establishes an ongoing dialogue on what both countries are doing to reduce emissions and to advance international climate negotiations ahead of the UN climate change conference in Copenhagen. In addition, the MOU expands and enhances cooperation between the United States and China on clean and efficient energy and environmental protection. Discussion of specific emissions reduction targets are not a part of this agreement, nor were they meant to be. In the MOU the U.S. and China commit to respond vigorously to the challenges of energy security, climate change and environmental protection through ambitious domestic action and international cooperation.
- *North Korea.* The two sides affirmed the importance of the Six-Party Talks and continuing efforts to achieve denuclearization of the Korean Peninsula. They emphasized the importance of implementing UN Security Council Resolution 1874 and resolving the nuclear issue on the Peninsula through peaceful means. Both sides agreed to increase their efforts for the early realization of these goals.
- *South Asia.* The two sides pledged to increase coordination to jointly promote stability and development in Afghanistan and Pakistan.
- *Sudan.* The two sides expressed their willingness to increase coordination and consultation on the issue of Sudan to jointly seek an early and enduring comprehensive political settlement of the Darfur issue and promote the peace process between the north and the south of Sudan.

- *Counter-Terrorism.* Both sides noted their shared opposition to terrorism. The United States proposed dates to hold the next round of the U.S.-China Counter-Terrorism Sub-Dialogue this year, and China expressed interest in holding the Sub-Dialogue in that timeframe. The Sub-Dialogue has been scheduled for September 14-15, 2009.
- *Non-Proliferation.* The two sides pledged to work collaboratively to strengthen global non-proliferation and arms control regimes. They discussed the upcoming 2010 Nuclear Nonproliferation Treaty (NPT) Review Conference and the Conference on Disarmament (CD) and exchanged views on the Global Nuclear Security Summit proposed by the United States.
- *Military-to-Military Relations.* The two sides welcomed recent improvements in military-to-military relations and agreed that the two militaries would expand exchanges at all levels. The dialogue included the participation of a People's Liberation Army (PLA) representative who, on behalf of PLA General Xu Caihou, Vice Chairman of the Central Military Commission, accepted Secretary of Defense Gates' invitation to visit the United States during the last week of October. There is a set of official military-to-military exchanges that is separate from the S&ED.
- *Human Rights.* The two sides also discussed ways to enhance mutual understanding and positive cooperation on human rights issues through our Human Rights Dialogue and other initiatives on the basis of equality and mutual respect. In light of the importance of the rule of law to our two countries, the United States and China decided to reconvene the U.S.-China Legal Experts Dialogue and will seek to hold the next Human Rights Dialogue before the end of the year.
- *Energy Security.* We agreed to future dialogue on strategic petroleum reserve cooperation and increased transparency in energy markets.
- *Global Issues.* The two sides agreed to further dialogue and cooperation on promoting global sustainable development, including strengthening global institutions and governance, addressing public health challenges, and future discussion of cooperation on poverty alleviation around the world.

Next Steps

Over the next year, we will be working on priority issues identified at the S&ED in our various bilateral initiatives with China, including several sub-dialogues and meetings between cabinet and sub-cabinet level officials. The results of these meetings will feed into the planning for the second S&ED next year in Beijing. High-level bilateral engagements over the next few months including the President's visit to Beijing in November, several energy and environment meetings leading up to Copenhagen, a sub-dialogue on counterterrorism, and a human rights dialogue. The messages and priorities from the S&ED will help to guide these interactions, and vice versa.

Thank you, again, for the opportunity to testify today on this important topic. I welcome your questions.